



March 11, 2024

Peter Donkers
Chair
BC Farm Industry Review Board

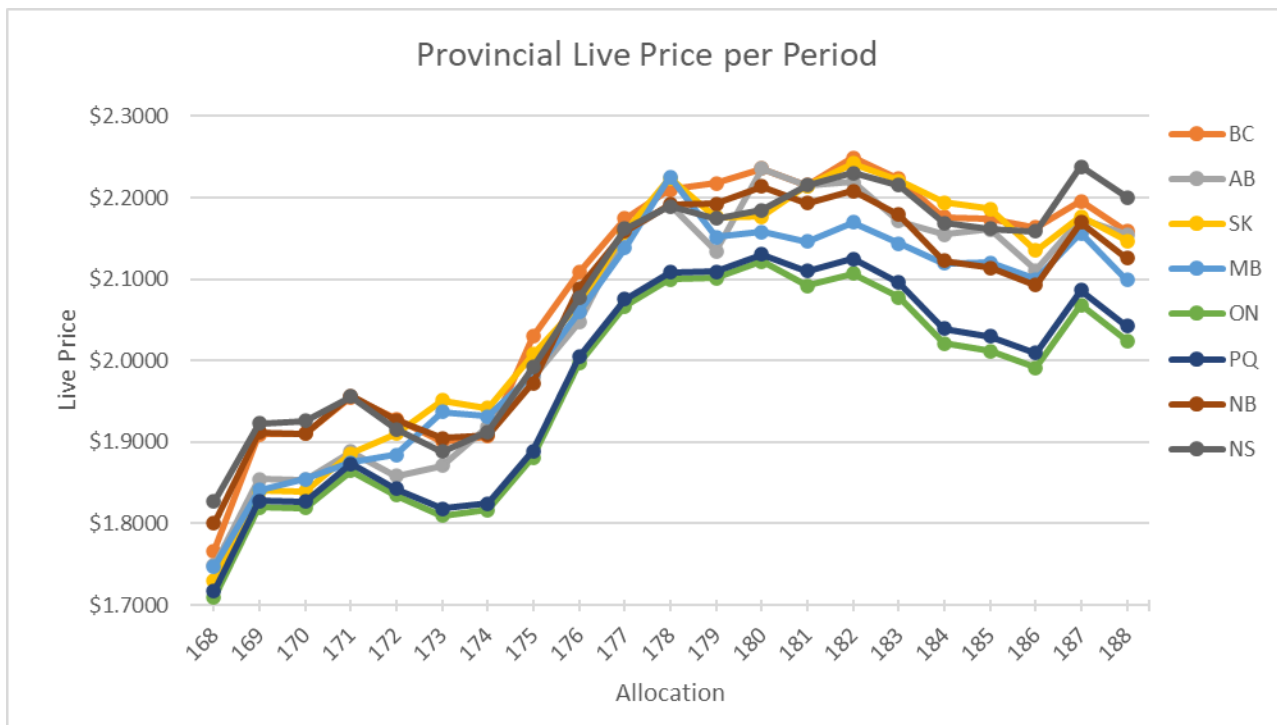
RE: BCCMB RESPONSE TO PRICING PANEL REQUEST OF MARCH 4, 2024

Hello Mr. Donkers,

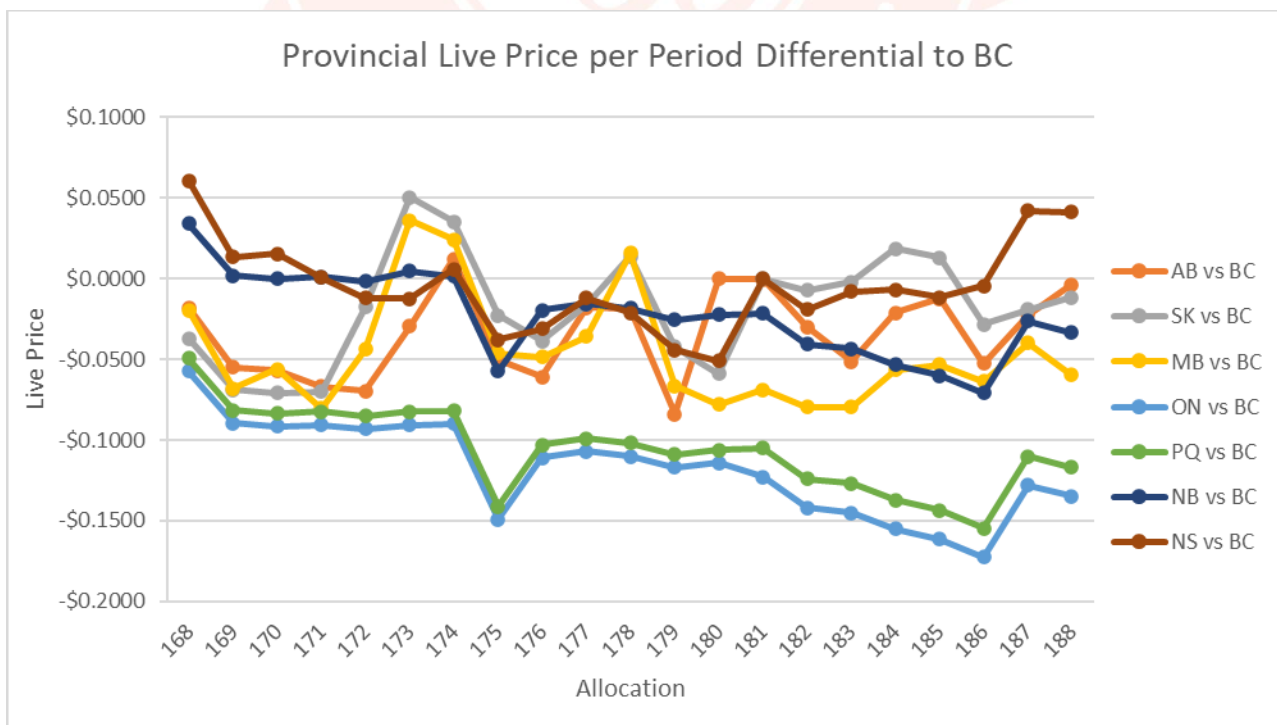
As per the BC Farm Industry Review Board (BCFIRB) March 4, 2024 request for updated information, please see below tables and graphs updated to the most recent period, A-188. The BCFIRB Pricing Panel requested information be updated up to A-192. As addressed in our [October 30, 2023 submission](#), it is not possible to provide information on what has yet to pass. As A-192 is in the future (starts October 20, 2024), we do not possess the cost information or analysis the Panel has requested and therefore have only been updated to A-188 (starts March 10, 2024).

Provincial farmgate Chicken live price comparison across Canada

The below graphs will compare the posted live prices across Canada as they compare to BC. In the March 4, 2024 letter, the Panel requested that the Chicken Board “include similar analysis for other Canadian Western province’s Cost of Production formulae...”. This is not possible as other Western provinces do not currently use a full-fledged Cost of Production (COP) formulae, nor is the Chicken Board privy to all the information on which their pricing is based. Only Ontario and Nova Scotia (the latter only to some degree) use a COP formula about which information is publicly available (neither of which is fully transparent). All other provinces base their live price on the Ontario COP with some additional provincially relative factors.



The above graph shows the provincial live prices across Canada (less catching) from the last 20 periods (A-168 to A-188).



The above graph shows the differential in live price (less catching) with each province versus BC where \$0.00 would be an equal live price to BC.



Figure G – BC new COP if implemented between periods [A-183 to A-188] *Updated

BC Broiler COP - \$ per Kg	A180	A183	A184	A185	A186	A187	A188
A) Operating Costs							
Chicks	0.4517	0.4630	0.4550	0.4621	0.4702	0.4796	0.4671
Day-old Chick Cost	0.4353	0.4467	0.4386	0.4457	0.4538	0.4633	0.4507
Vaccine Cost	0.0163	0.0163	0.0163	0.0163	0.0163	0.0163	0.0163
Feed	1.2260	1.2374	1.2138	1.2055	1.2053	1.1692	1.1557
Utilities	0.0763	0.0786	0.0799	0.0821	0.0779	0.0757	0.0715
Vehicle & Equipment Operation (Fuel & Oil)	0.0088	0.0090	0.0091	0.0091	0.0091	0.0091	0.0091
Repairs & Maintenance	0.0442	0.0465	0.0465	0.0471	0.0471	0.0471	0.0476
Bedding	0.0216	0.0221	0.0222	0.0222	0.0223	0.0223	0.0223
Administrative & Office Costs	0.0122	0.0125	0.0126	0.0126	0.0126	0.0126	0.0126
Insurance	0.0173	0.0176	0.0177	0.0177	0.0178	0.0178	0.0178
Other Custom Costs	0.0059	0.0060	0.0061	0.0061	0.0061	0.0061	0.0061
Custom Catching	0.0400	0.0400	0.0400	0.0485	0.0485	0.0485	0.0485
Cleaning/Washing	0.0092	0.0093	0.0094	0.0094	0.0094	0.0095	0.0094
Operating Costs (Without Levies & MD Lease Costs)	1.9132	1.9419	1.9123	1.9224	1.9263	1.8976	1.8676
Board Levy	0.0202	0.0204	0.0204	0.0204	0.0204	0.0204	0.0204
MD Lease Costs	0.0016	0.0016	0.0016	0.0015	0.0016	0.0016	0.0015
Operating Costs (With Levies & With MD Lease Costs)	1.9350	1.9639	1.9343	1.9443	1.9483	1.9195	1.8895
B) Labour							
General Labour	0.0786	0.0806	0.0803	0.0821	0.0821	0.0821	0.0821
Management	0.0469	0.0482	0.0481	0.0481	0.0485	0.0488	0.0480
Labour Costs	0.1255	0.1287	0.1284	0.1302	0.1306	0.1310	0.1301
C) Capital Costs							
Depreciation & Amortization	0.0999	0.1045	0.1047	0.1058	0.1058	0.1058	0.1067
Depreciation - Bams & Associated Equipment	0.0771	0.0806	0.0807	0.0815	0.0816	0.0816	0.0822
Depreciation - Other	0.0228	0.0240	0.0240	0.0243	0.0243	0.0243	0.0245
Investment Cost	0.1882	0.1972	0.2009	0.1993	0.2034	0.2046	0.2002
Investment Cost - Land	0.0049	0.0049	0.0051	0.0051	0.0053	0.0053	0.0050
Investment Cost - Bams & Associated Equipment	0.1565	0.1640	0.1662	0.1647	0.1675	0.1685	0.1654
Investment Cost - Other	0.0267	0.0282	0.0296	0.0295	0.0307	0.0308	0.0297
Operating Interest	0.0224	0.0256	0.0271	0.0271	0.0272	0.0268	0.0264
Taxes	0.0059	0.0060	0.0060	0.0060	0.0061	0.0061	0.0060
Capital Costs	0.3163	0.3333	0.3387	0.3382	0.3424	0.3433	0.3393
Total Cost of Production	2.3768	2.4260	2.4013	2.4127	2.4213	2.3938	2.3589

This table is updated from the October 30, 2023 submission to show the most recent periods between A-183 and A-188 (A-188 begins March 10, 2024). The table above shows the breakdown of each cost category and final BC posted live price (**catching included here**) for each period at 100% of COP.



Table - BC COP comparison to Ontario COP summary for A-188

A-188 Comparisson at 100% COP	BC COP Live price (excluding catching)	Ontario posted live price	Differential	Diff. as a % of differnetial
Feed	\$ 1.1557	\$ 0.8229	\$ 0.3328	114.64%
Chicks	\$ 0.4671	\$ 0.4934	-\$ 0.0263	-9.06%
Operating costs	\$ 0.2182	\$ 0.2765	-\$ 0.0583	-20.08%
Labour	\$ 0.1301	\$ 0.1592	-\$ 0.0291	-10.02%
Capital	\$ 0.3393	\$ 0.2681	\$ 0.0712	24.53%
Total	\$ 2.3104	\$ 2.0201	\$ 0.2903	100.00%

The above table shows the breakdown of COP categories compared to the Ontario COP in the same period. Of note, elements of the proposed BC COP are either higher or lower than Ontario. Outside of feed and chick, the sum of the other cost elements are actually lower in the BC COP, attributable mostly to the built in efficiency factors proposed by the BC Chicken Marketing Board (the Board), or other items identified in its October 30, 2023 submission. The feed cost differential is the only material impact causing a price differential and is a direct cost to BC growers. Growers work with nutritionists and feed companies to change and develop economical rations all the time, however there is only so much control a grower has over this input.

Important caveats:

- Chicken Farmers of Ontario did update their COPF in January. This was a negotiated agreement.
- The categories in the table are not done with the same methodology, therefore this is meant more as a guide than a direct comparison of costs.
- Excludes catching costs.
- The table above is at 100% COP and ignores the phase in effects, or the updating of production volume and feed conversion rates (FCR) that will take place in early 2025.
- By the time BC is at 100% of COP, the efficiency factors will likely put *significant downward pressure* on the live price result (FCR updates, volume updates)
- Therefore, it cannot be stated that the new COP is a set differential.
- However, the historic change to feed prices is contributing to greater than >100% of the current differential.



Figure D – Example of Phase in Period of new COP based live price *Updated

The italicized information below is taken from the October 30, 2023 submission to reiterate the context of this section.

*The Board proposes phasing in the new COP based live price over six periods before it reaches 100% of the efficiency adjusted COP. The Board believes it is necessary at a minimum to start at par of the current pricing formula as growers cannot sustainably tolerate any further decrease that would be lower than the current interim pricing model. We also cannot confidently predict the pricing output in future pricing periods with uncertainty in feed and chick prices. Therefore, rather than phase in at a percent of COP (i.e., 95% of COP), the Board intends to close the gap between the interim pricing formula (par) and the COP based live price formula over six periods. This will result in a 16.67% closure of the gap between par and the new COP based live price formula each period until we are at 100% of the efficiency adjusted COP in A-192. The table below provides an example of how this is implemented but does **not** represent actual posted prices for the periods [A-189-A-192] as these are still unknown.*

Figure D

Period	A-187	A-188	A-189	A-190	A-191	A192
COP based live price formula (new)	\$2.3453	\$2.3104	\$2.3500	\$2.3500	\$2.3500	\$2.3500
Current Interim Formula (par)	\$2.1960	\$2.1588	\$2.2000	\$2.2000	\$2.2000	\$2.2000
Net Change to Formula Price	\$0.1493	\$0.1516	\$0.1500	\$0.1500	\$0.1500	\$0.1500
Phase in % of difference	16.67%	33.33%	50.00%	66.67%	83.33%	100.00%
\$/kg phased in	\$0.0249	\$0.0505	\$0.0750	\$0.1000	\$0.1250	\$0.1500
Final Posted Live Price	\$2.2209	\$2.2093	\$2.2750	\$2.3000	\$2.3250	\$2.3500

Example, does not represent actual period pricing

We have updated Figure D from the October 30, 2023 submission to show the phase in using the most recent figures, and flat pricing for the remainder of the unknown periods. Please note, period A-187 and A-188 are updated using actual posted live price and the actual output of the COP, excluding the cost of catching. All other periods are purely theoretical to show an example and are NOT based on real numbers.

The Board’s proposal will still be to achieve 100% of the COP based live price be in effect for A-192. If a decision is forthcoming beyond A-187, this would result in additional periods with the interim pricing formula, and a reduced phase in period, with the net result still being 100% implementation by A-192 (i.e., if approved for A-188 a 5-period phase in, if approved for A-189



a 4-period phase in, etc.). Based on current timeline, this means that if BCFIRB approved the proposed timeline prior to A-189, the phase in would start at 50% of the gap between par (interim) and the new COP.

Again, and as stated in other sections, the efficiency factors will cause downward pressure on the live price, including with the annual updates to the FCR and volume adjustments coming into effect shortly after A-192.

Figure H – Comparison of BC posted live price vs New COP vs Ontario posted live price
***Updated**

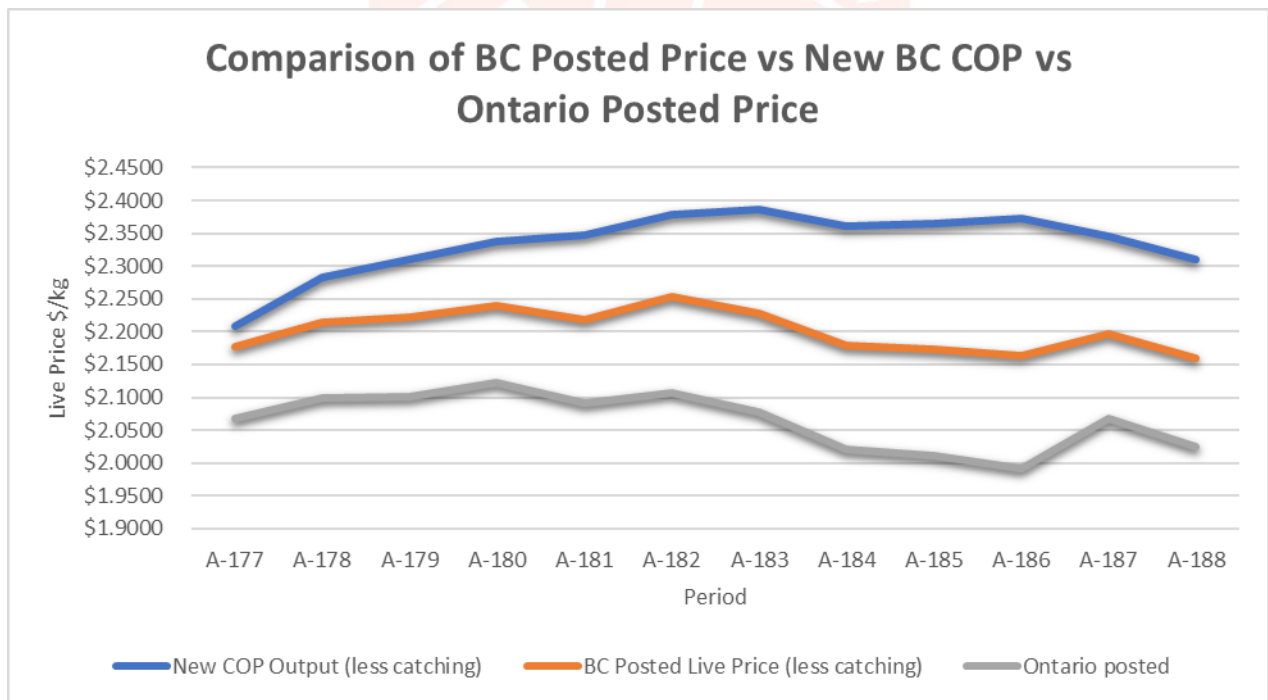
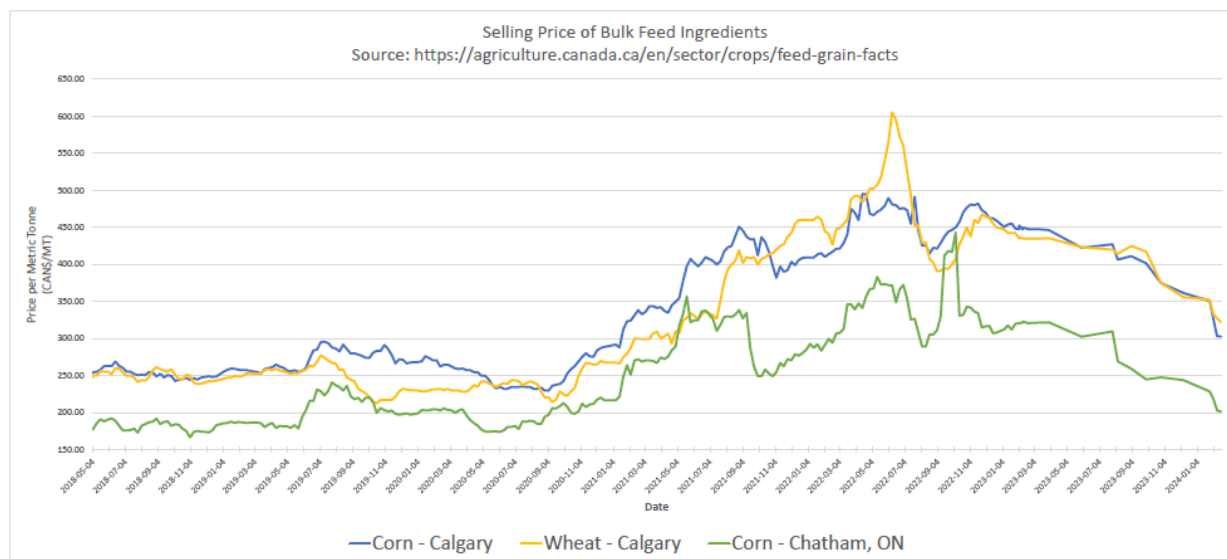


Figure H from the October 30, 2023 submission has been updated up to A-188. Of note, in A-187 Chicken Farmers of Ontario updated their COP through a negotiated agreement.



Figure I – Feed Corn & Wheat, Central Canada vs. Western Canada Comparison *Updated



The above graph shows the changes in feed corn and wheat, comparing Calgary, Alberta to Chatham, Ontario. While not a direct correlation to the landed feed cost on BC farms, it does help us see the change in historical trends to a wider gap between the landed feed costs, as well as the more recent trend of decreasing feed costs.

Further Analysis

From the March 4, 2024 letter, *“The Panel would like the Chicken Board to comment on its analysis and the extent to which it provides an approximation of British Columbia’s competitiveness in the national chicken price marketplace.”*

While the Chicken Board shares the Panels desire for more information on BC’s competitiveness in the national chicken price marketplace, the Board believes our October 30, 2023 submissions outlined in detail our assessment of the information available (and noted where information was not available). Therefore, our additional comments will be brief. Any further competitive information is held by private companies (processors) and is not publicly available, nor has it been shared with the Chicken Board. The Board explored extensively through 2023 with the Joint Working Group (JWG) to identify and substantiate competitiveness factors but ultimately found the most productive, balanced, and reasonable approach to gauge competitiveness was through an efficient grower COP. The Board has since explored other data sources as well (i.e. other data collection from Neilson) but ultimately that partial information provided no accurate measure upon which the Board could determine processor competitiveness.



In the absence of any substantiated evidence as to the overall competitiveness of the BC processors in a supply managed marketplace, the Chicken Board confirms its recommendation that the new BC COP for growers be implemented, utilizing an appropriate transition period. We are aware that processors may make national adjustments as per our discussions through the confidential submission process. It is the Board's view that although BC pricing is a factor, processors which are increasingly regional and national in scope, have made, are making and will continue to make such adjustments on a range of factors that the processors consider to be in their best long-term business interest. The Board refers to our October 30, 2023 submission, specifically page 4 and 6 of the cover letter, page 11-13 of the main document, and Appendix H – Processor Competitiveness Report from Hugh Scolah. On page 4 of the cover letter, we state “the grower COP is measurable, processor competitiveness is not”, but go on later on page 6 to state “...but [the Board] remains fully prepared to engage in doing so should evidence of processor competitiveness arise **during** or **after** the transition period.” [emphasis added]

Although the Chicken Board again recognizes that BC pricing does and will impact processors, the supply managed system provides certain benefits to processors that extend beyond growers receiving a live price based on an efficient COP. Under a supply managed system, the country meets every 8 to 16 weeks to determine the national allocation of chicken, of which processors are provided not only an opportunity to speak and present but also to vote through their representatives. The allocation is determined to meet the **national** demand for chicken, not provincial demand. This ensures that over time all chicken can be sold in the market and supply is *equal to demand*. In other words, another province *cannot* ‘over produce’ in order to take the BC market, and likewise BC cannot underproduce and be absorbed by another province.

Further, with the update of CFO's COP in A-187, it has been proven that the COP proposed by the BC Chicken Board is lean and efficient. This gives full *opportunity* for processor competitiveness while balancing the need for fair return to growers.

Recent public criticism of the proposal in front of BCFIRB is around the potential increased costs to consumers. The Board reiterates that our regulatory authority under the BC Chicken marketing Scheme (1961) is restricted to the farmgate live price of chicken; the price a farmer receives for their live bird. In A-188 the growers are currently experiencing a shortfall of \$0.1515/kg between the interim pricing and the efficient COP proposed. Recent [Statscan retail information](#) shows the average fresh whole chicken at BC retail for December was \$8.49/kg. Comparing the proposed live price increase of \$0.1515/kg to the retail average of whole chicken at \$8.49/kg shows the proposed farm-gate increase represents only 1.7% of that retail price, and only an 0.94% increase as compared to chicken breasts (table below). While the Board recognizes this comparison is not this simplistic, there has been no transparency or explanation of the pricing multipliers post-farm gate (nor are those prices within the Board's authority). It is unreasonable to expect growers, subject to a COP with efficiencies incorporated, to be singled out when there is no similar investigation or enforcement on the rest of the value chain, for example, primary processors, further processors, distributors,



restaurants, retailers, and others who all can add in unknown levels of cost and margin. The COPs for both regulated BC chicken growers and hatching egg producers are defensible with costs and margin transparent to all stakeholders and the public. This cannot be said for the rest of the value chain.

December 2023 Retail Costs (source:StatsCan)	Ave. Retail Cost/kg	A-180 change in price at proposed COP at 100%	% Change in live price vs Ave. Retail price
Whole Chicken	\$ 8.49	\$ 0.1515	1.78%
Chicken Breast	\$ 16.16	\$ 0.1515	0.94%
Chicken Thigh	\$ 14.42	\$ 0.1515	1.05%
Chicken Drumstick	\$ 8.95	\$ 0.1515	1.69%

[Source: StatsCan Monthly Average Retail Prices](#)

The Chicken Board recognizes that competitive pressures exist and responded with a transparent COP model with grower efficiencies incorporated. The issue continues to be whether there is sufficient evidence to substantiate processor non-competitiveness. Our submission of October 30, 2023 ensures the Chicken Board will remain dynamic and responsive to market conditions, includes continuous improvement initiatives (page 38), and continues to be open to dialogue with stakeholders as well as the sharing of verifiable and transparent data.

Hatchery Margin Follow up

Further, and in response to the March 7, 2024 letter from the Primary Poultry Processors Association of BC that the Panel may not yet be privy to, this commitment to “sharing of verifiable and transparent data” applies to any future hatchery COP. The Chicken Board expects that the same standards will be applied to the development of a hatchery COP as have been applied to the COPs for chicken growers and hatching egg producers. Although a hatchery COP should be standalone to facilitate independent hatcheries, analysis should include the impact of a new hatchery COP on the competitiveness of affiliated corporate processors.

BCFIRB approval for the hatcheries to proceed with a COP was given on June 3, 2022 and it is our understanding that the hatcheries have yet to table any proposal for a “verifiable and transparent” COP. In the meantime, the current hatchery margin will continue to be incorporated into Figure H. The hatcheries are encouraged to be more proactive in developing a substantiated COP that can be included in the Chicken Board’s consideration of “market conditions” and other developments during the proposed transition period to a new COP for chicken growers.



BCFIRB has now outlined a timeline of their own process. The Chicken Board looks forward to reviewing and responding to any new submissions.

Lastly, it is imperative the BC industry reach a conclusion on the long-term pricing file in a timely manner so the industry can work together to address the new paradigm in BC chicken.

Yours truly,

Kevin Klippenstein
Chair
BC Chicken Marketing Board

